

Australian Pipeline Trust

**Interim Financial Report
31 December 2004**

Australian Pipeline Trust

Director's Report For the Half Year Ended 31 December 2004

In respect of the half year ended 31 December 2004 ("period"), the directors of Australian Pipeline Limited ("the Responsible Entity") submit the following report on the interim financial report of Australian Pipeline Trust ("APA" or "Trust"), made out in accordance with a resolution of the directors.

Principal Activities

The principal activity of the consolidated entity during the course of the financial period was the ownership of gas transmission pipelines located throughout Australia. The consolidated entity undertook the sale of transportation and related services to the producers, consumers and aggregators of gas through these gas transmission pipelines.

There has been no significant change in the activities of the consolidated entity during the financial period.

Directors

The following persons held office as directors of Australian Pipeline Limited during the period and up to the date of this report:

Mr G H Bennett (chairman)

Mr J A Fletcher

Mr R M Gersbach (appointed 26 August 2004)

Mr R A Higgins (appointed 7 December 2004)

Mr M Muhammad

Mr R J Wright

Mr Ed Osman Ridzwan (alternate for Mr M Muhammad)

Mr L J Fisk (retired 26 August 2004)

Mr T C Ford (retired 7 December 2004)

Mr J K McDonald (managing director).

Review and Results of Operations

Highlights

A summary of the major achievements for the period is set out below:

- Sale agreement entered into in December 2004 to acquire the remaining 30% interest in the Carpentaria Gas Pipeline in Queensland for \$98 million. Completion occurred on 25 February 2005. The acquisition will be funded from existing debt facilities and will be cash flow and earnings per unit accretive from year one;
- APA entered into a ten year transportation agreement with Incitec Pivot Limited (IPL) to transport up to 16 PJ of gas through the Roma to Brisbane Pipeline ("RBP") in Queensland to IPL's urea plant at Gibson Island. The agreement will commence in 2007;
- APA has advanced planning to expand its Mondarra gas storage facilities in Western Australia following the gas storage optimisation agreement signed with Western Power;
- The syndicated borrowing, due to expire in June 2005, has been re-negotiated on a bilateral basis with the lenders for a term extending up to 5 years. Project debt under SCP has also been re-financed under the bilateral facility. The new facility is on more favourable terms than the previous facilities, which will lower borrowing costs in future periods.

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In February 2005, APA entered into a variation agreement with CS Energy to increase transportation volumes to greater than 15 PJ pa, to deliver to CS Energy's Swanbank E Power Station on the RBP. The agreement is for a period of 12.5 years and commences immediately.

Commentary

APA achieved net profit after tax and minorities of \$25.718 million in respect of the six months ended 31 December 2004, an increase of 16.12% over the previous corresponding period's ("pcp") figure of \$22.148 million. The improved performance was a result of APA's acquisition of CMS Energy Corporation's ("CMS") interest in Parmelia and Goldfields Pipeline assets in Western Australia, increased pipeline transportation revenue in Roma to Brisbane Pipeline ("RBP") and a lower effective tax rate due to increased tax base of assets following implementation of tax consolidation.

Acquisition of Parmelia and SCP Gas Assets ("SCP Gas Business Acquisition")

As outlined in the Annual Report 2004 and other subsequent announcements, APA acquired the remaining 45% interest in SCP Investments (No.1) Pty Limited ("SCP"), the 88.2% owner of Goldfields Gas Transmission Pipeline, and Parmelia gas business from CMS. The acquisition was completed on 17 August 2004 and APA invested \$209.067 million, including working capital adjustment, on the acquisition.

Prior to the acquisition, APA had equity accounted SCP's financial results. As SCP and Parmelia businesses are now controlled, their results are consolidated into APA's figures.

The following is a commentary on the operating results for the period:

Revenue

Revenue from ordinary activities grew by 32.91% from \$133.176 million to \$177.002 million. The margin-bearing Pipeline transportation revenue increased by 45.48% from \$85.568 million in the pcp to \$124.483 million in the current period. The major components of this increase are:

- Revenue from acquired entities \$40.360 million
- RBP revenue increase \$1.677 million
- Gas Transportation Deed (GTD) - contracted reduction (\$2.696) million
- Additional third party revenue in Moomba to Sydney \$0.467 million

The full impact of the reduction in Gas Transportation Deed (GTD) revenue was mitigated by additional revenue from other customers, a sign that deregulation in gas markets is gradually encouraging the emergence of alternate gas aggregators. Nonetheless, APA believes that this trend will continue and have actively pursued asset diversification to mitigate the foreshadowed reduction from the GTD.

Other pipeline revenue which is passthrough in nature and bears no margin, increased by \$2.560 million to \$40.994 million.

The Share of net profits of associates reduced by 72.57% from \$7.831 million in the pcp to \$2.148 million in the current period, reflecting the consolidation of the results of SCP from 17 August 2004.

Other revenue largely includes interest income.

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Expenses

The Pipeline operating and management expenses increased from \$19.072 million in the pcp to \$35.434 million in the current period, an increase of 85.79%, mainly due to the impact of consolidating the acquired entities. The expenses for the current period include an amount of \$1.163 million incurred in relation to the investigation of stress corrosion cracking on Moomba to Sydney Pipeline ("MSP").

The net borrowing cost increased by \$9.824 million from the pcp figure of \$22.665 million, to \$32.489 million due to additional borrowings to fund the SCP Gas Business Acquisition.

Since the acquisition, APA has renegotiated both its syndicated borrowings and the SCP project finance on more favourable terms. This will result in a lower borrowing cost, the benefit of which will accrue in future financial periods.

Operating Cash Flow and Debt

The Net cash from operating activities before interest and tax increased by 33.08% from \$68.427 million in the pcp to \$91.061 million as a consequence of the SCP Gas Business Acquisition.

APA invested \$209.067 million on the SCP Gas Business Acquisition. This was funded via an institutional equity placement of \$61.189 million (net of costs), borrowings and cash reserves. The acquired cash of \$116.424 million was subsequently utilised to reduce acquisition borrowings.

Distributions, Earnings Per Unit and Distribution Reinvestment Plan ("DRP")

Profits of \$33.107 million (pcp:\$28.146 million) were distributed to unitholders. Distributions paid increased over the pcp due to an increase in the amount distributed by 0.5cpu and an increased number of units issued following the institutional equity placement and DRP participation.

The Earnings Per Unit, calculated on a weighted average basis, for the current period was 9.48 cpu compared to pcp figure of 9.04 cpu, an increase of 4.87%, reflecting higher net profit after tax. The weighted average number of units outstanding was 271.268 million.

The DRP was operational for the final distribution in respect of the financial year ended 30 June 2004 and first interim distribution of the current financial year and raised \$11.524 million, net of costs, issuing 4.059 million units. The DRP has now been suspended and will be reactivated should a requirement for capital arise. As at 31 December 2004, 278.895 million units were on issue.

Regulatory

Interaction with governments and regulators on regulation of gas transmission pipelines continued to play a significant role in APA's business. The key regulatory matters addressed during the period included:

- Merits review on ACCC Final Access Arrangement for Moomba to Sydney Pipeline System.

East Australian Pipeline Limited (EAPL), a wholly-owned subsidiary of APA, requested the Australian Competition Tribunal to review the final access arrangement issued by the ACCC on MSP in December 2003. On 8 July 2004, the Tribunal held that the ACCC's decision to write its own Access Arrangement was unreasonable, and that the value of the Initial Capital Base and the rate of return determined by the ACCC were to be corrected.

The Tribunal directed EAPL and the ACCC to seek to agree a value for the Initial Capital Base according to specified methodology. As EAPL and ACCC have been unable to agree on a value, the matter was heard by the Tribunal in February 2005. The ACCC is arguing for a much lower Initial Capital Base than EAPL.

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Following the Tribunal's decision on 8 July 2004, the ACCC lodged an appeal with the Federal Court seeking to have the Tribunal's decision overturned. The matter will be heard by the Full Court of the Federal Court in mid to late 2005. APA remains confident that the Tribunal's decision is correct.

- Review of Goldfields Gas Transmission (GGT) Pipeline Access Arrangement

On 29 July 2004, the Economic Regulation Authority of WA issued an amended draft decision concerning the Access Arrangement for the GGT (88.2% owned by APA). Submissions have been lodged demonstrating errors in the amended draft decision and addressing a number of factual inaccuracies. A revised Access Arrangement has been lodged with the ERA for consideration and the ERA is expected to issue a Final Decision shortly.

GGT continues to discuss with the WA Government the establishment of a mechanism to reinstate the intention under the Goldfields Gas Pipeline State Agreement Act that the introduction of the National Access Code would not have a material adverse effect on GGT's legitimate business interests.

- National Competition Council Recommendation on Queensland Pipelines

APA and the Queensland Government continue to oppose the recommendation by the National Competition Council to the Honourable Ian Campbell, Parliamentary Secretary to the Treasurer, that the Queensland Gas Access Regime is "not effective". The outcome of this process will not have an impact on APA's position under existing contracts.

- Productivity Commission

The Productivity Commission's final report on the National Gas Access Regime was released on 10 August 2004 and has been widely discussed. APA and the industry are seeking the Government's commitment to introducing a better and more workable gas access regime.

Other Issues

PNG Gas Pipeline Project

Progress has been made to bring the Papua New Guinea (PNG) Gas Development Project (Project) to fruition. ExxonMobil has appointed a front end engineering design (FEED) contractor to carry out the preparatory work necessary to progress the Project and are targeting December 2005 as the Project approval date. Gas delivery, if the Project proceeds, is being targeted for end of 2008.

The Australian Gas Light Company and Petronas Consortium has announced its intention to call for tenders for the FEED phase of the Australian component of the Project, a pipeline from PNG to Queensland. A final investment decision will be undertaken at the completion of the FEED program with the key issue continuing to be the establishment of a foundation market to support the economics of the pipeline.

APA continues to support the Project, which has the potential to be an important part of the long-term gas supply solution for eastern Australia.

Update on Stress Corrosion Cracking on the MSP

As foreshadowed previously, testing on the MSP for stress corrosion cracking ("SCC") was undertaken in January 2005. The results of this testing are still being analysed and the outcome of that analysis may require further testing before a plan can be formalised to repair or replace damaged pipe.

Repairs have already been effected on the pipeline at five locations.

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APA's pressure management plan ensures that MSP will be able to meet its contractual obligations to market, especially during the critical winter peak period.

Board and Management Changes

Directors Les Fisk and Tom Ford both retired from the Board during the period and were replaced respectively by Ross Gersbach and Russell Higgins. Biographical details are available on the APA website, www.pipelinetrust.com.au.

Managing Director, Jim McDonald announced his intention to retire at the end of YEJ 2005. Jim has led APA from its public float in 2000 through four and one half successful years. Under his leadership APA is positioned as a strong, profitable business with reliable and stable cash flows.

The Board has appointed APA's Chief Operating Officer Michael (Mick) McCormack as his replacement. He will commence duties in July 2005.

Mr McCormack has around 20 years experience in the oil and gas transmission industry, having commenced his pipeline career in Queensland as an engineer on the Moonie to Brisbane crude oil pipeline. Mr McCormack has been a member of senior management and a significant contributor to the success of APA since its public float in June 2000.

Mr McCormack has qualifications in science, engineering and business administration. He is a member of the board of the Australian Pipeline Industry Association and fellow of the Australian Institute of Company Directors.

Significant Changes in State of Affairs

In the opinion of the directors of the Responsible Entity, no significant changes in the state of affairs of the Trust occurred during the period under review.

Distributions

The directors of the Responsible Entity propose a second interim profit distribution of 5.5 cents per unit ('cpu') franked to 40%, to be paid on 30 March 2005. This takes the total distribution in the respect of year ending 30 June 2005 to profit distribution of 11 cpu, 40% franked at the corporate income tax rate.

Events Occurring after Reporting Date

Since the end of the period, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of APA, the results of those operations or the state of affairs of APA in years subsequent to the period ended 31 December 2004.

Directors' Holdings of Units

The aggregate number of units held directly, indirectly or beneficially by directors or their director-related entities at the date of this financial report is 70,244 (30 June 2004: 75,723).

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Director's Report For the Half Year Ended 31 December 2004

Responsible Entity's Holdings of Units

No units in the Trust are held by the Responsible Entity.

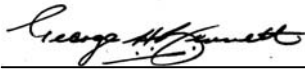
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Rounding of Amounts in the Directors' Report and Financial Report

APA is a registered scheme of a kind referred to in Class Order 98/0100, as amended, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

This report is made in accordance with a resolution of the directors.



G H Bennett
Chairman



J K McDonald
Managing Director

Sydney
Date: 28 February, 2005



AUDITOR'S INDEPENDENCE DECLARATION

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[Date February 2005]

The Directors
Australian Pipeline Limited
As Responsible Entity for Australian Pipeline Trust
Level 5, Airport Central Tower
241 O'Riordan Street
Mascot NSW 2020

AUSTRALIAN PIPELINE TRUST – AUDITOR INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited, as Responsible Entity for Australian Pipeline Trust.

As lead audit partner for the review of the half year financial report of the Australian Pipeline Trust for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

J H W Riddell
Partner
Chartered Accountant

Member of
Deloitte Touche Tohmatsu

Australian Pipeline Trust

Statement of Financial Performance For the Half Year Ended 31 December 2004

	2004 \$'000	2003 \$'000
Revenue from ordinary activities	177,002	133,176
Share of net profits of joint venture entities accounted for using the equity method	2,148	7,831
Pipeline operation and management expenses	(35,434)	(19,072)
Other pipeline costs	(40,994)	(38,434)
Depreciation and amortisation expense	(17,890)	(12,234)
Borrowing costs	(41,829)	(31,684)
Other expenses from ordinary activities	(4,828)	(4,400)
Profit from Ordinary Activities before Income Tax Expense	38,175	35,183
Note 2		
Income tax expense relating to ordinary activities	(12,300)	(12,814)
Profit from Ordinary Activities after Income Tax Expense	25,875	22,369
Net profit attributable to outside equity interests	(157)	(221)
Net Profit Attributable to Unitholders of the Parent Entity	25,718	22,148
Total Changes In Equity other than those Resulting from Transactions with Unitholders as Owners	25,718	22,148
Earnings per unit (cents per unit)		
Earnings used to calculate earnings per unit (\$'000)	25,718	22,148
Weighted average number of units (million)	271.268	244.943
Basic earnings per unit based on profit from ordinary activities after income tax expense attributable to unitholders of the parent entity	9.48	9.04

(Diluted earnings per unit is exactly the same as basic earnings per unit)

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Statement of Financial Position As At 31 December 2004

	31 Dec 2004 \$'000	30 June 2004 \$'000
Current Assets		
Cash	44,895	44,251
Receivables	28,282	12,095
Inventories	3,586	50
Prepayments	802	1,053
Other	1,506	419
Total Current Assets	79,071	57,868
Non-Current Assets		
Receivables	1	1
Investments accounted for using the equity method	-	171,137
Property, plant and equipment	1,803,512	1,184,862
Intangibles	7,797	6,188
Deferred tax assets	20,754	10,077
Other	3,575	3,538
Total Non-Current Assets	1,835,639	1,375,803
Total Assets	1,914,710	1,433,671
Current Liabilities		
Payables	61,744	53,929
Interest-bearing liabilities	168	180
Current tax liabilities	-	5,938
Provisions	3,567	1,902
Other	46,192	7,327
Total Current Liabilities	111,671	69,276
Non-Current Liabilities		
Payables	61,494	17,938
Interest-bearing liabilities	956,606	730,225
Deferred tax liabilities	159,780	86,956
Provisions	906	143
Other	2,239	1,127
Total Non-Current Liabilities	1,181,025	836,389
Total Liabilities	1,292,696	905,665
Net Assets	622,014	528,006

Note 5(b)

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Statement of Financial Position As At 31 December 2004

		31 Dec 2004 \$'000	30 June 2004 \$'000
Equity			
Contributed Equity		563,874	491,161
Capital Distribution		(63,726)	(63,726)
Contributed Equity at period end	Note 4	500,148	427,435
Asset Revaluation Reserve		28,615	-
Retained profits	Note 3	93,050	100,439
Parent Entity Interest		621,813	527,874
Outside Equity Interest		201	132
Total Equity		622,014	528,006

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Statement of Cash Flows For the Half Year Ended 31 December 2004

	2004 \$'000	2003 \$'000
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	183,170	140,624
Payments to suppliers and employees	(92,109)	(79,864)
Dividends received	-	7,667
<i>Net cash from operating activities before interest and tax</i>	91,061	68,427
Interest received	2,136	2,064
Interest and other costs of finance paid	(37,375)	(18,610)
Income tax paid	(14,989)	(1,053)
<i>Net cash provided by operating activities</i>	40,833	50,828
<i>Cash Flows From Investing Activities</i>		
Payment for investments in joint venture entities	-	(7)
Payment for property, plant and equipment	(5,425)	(1,393)
Proceeds from sale of property, plant and equipment	67	139
Purchase of controlled entities	(209,067)	-
Cash from entities acquired	116,424	-
<i>Net cash used in investing activities</i>	(98,100)	(1,261)
<i>Cash Flows From Financing Activities</i>		
Proceeds from borrowings	642,000	512,036
Repayment of borrowings	(622,495)	(524,156)
Distributions paid to:		
Unitholders of APA	(33,107)	(28,146)
Outside equity interest	(155)	(216)
Proceeds from issue of Units	73,278	8,576
Payment for Unit issue costs	(565)	(88)
Payment of debt issue costs	(1,144)	(2,806)
<i>Net cash used in financing activities</i>	57,812	(34,800)
<i>Net Increase In Cash Held</i>	644	14,767
<i>Cash At The Beginning Of The Financial Year</i>	44,251	16,316
<i>Cash At The End Of The Financial Period</i>	44,895	31,083

Note 5(a)

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Notes to the Financial Statements For the Half Year Ended 31 December 2004

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Notes to the Financial Statements For the Half Year Ended 31 December 2004

1. Basis of Preparation

The significant policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of this report.

This general purpose financial report has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the Trust Constitution and the Corporations Act 2001 in Australia.

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual financial report for the year ended 30 June 2004 for Australian Pipeline Trust, and any public announcements made by APA during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001 in Australia.

The accounting policies adopted are consistent with those applied in the most recent annual financial report unless otherwise disclosed. This report is prepared in accordance with the historical cost convention, except as otherwise stated.

	2004	2003
	\$'000	\$'000

2. Profit from Ordinary Activities

Profit from ordinary activities before income tax includes the following items of revenue and expense:

(a) Revenue from Ordinary Activities

Sales Revenue:

Pipeline transportation revenue	124,483	85,568
Other pipeline revenue - passthrough	40,994	38,434

	165,477	124,002
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Interest revenue	9,340	9,019
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Other	2,185	155
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	177,002	133,176
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(b) Expenses

Pipeline Operating and Management Expenses	35,434	19,072
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Other Pipeline Costs:

Operating Lease – rental expense	8,187	7,411
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Gas Pipeline Costs	32,807	31,023
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Total Other Pipeline Costs	40,994	38,434
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Depreciation of non-current assets	17,267	11,652
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Amortisation of non-current assets	623	582
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Depreciation and Amortisation Expense	17,890	12,234
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Notes to the Financial Statements For the Half Year Ended 31 December 2004

	2004 \$'000	2003 \$'000
3. Retained Profits		
Balance at beginning of financial period	100,439	16,195
Net profit attributable for the period	25,718	22,148
Distributions paid for the period	(33,107)	(28,146)
Balance at end of financial period	93,050	10,197

	Units No. '000	Issue Price \$	Contr. Equity \$'000
4. Contributed Equity			
Balance as at 30 June 2004	250,336	-	427,435
Private Placement of Units	24,500	2.52	61,740
Issued Under Dividend Re-Investment Plan			
On 27 September 2004	2,312	2.67	6,174
On 30 December 2004	1,747	3.07	5,364
Unit Issue Expenses	-		(565)
	278,895		500,148

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Notes to the Financial Statements For the Half Year Ended 31 December 2004

	2004 \$'000	2003 \$'000
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5. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank and on hand	26,480	7,823
Short-term deposits	18,415	23,260
	44,895	31,083

(b) Financing Facilities

Unsecured syndicated bank borrowings:

Amount used	520,000	250,000
Amount unused	180,000	250,000
	700,000	500,000

Guaranteed Senior Notes (issued September 2003)

	A\$ Amount \$'000	Maturity Date
<u>Denominated in A\$</u> Series A Notes	102,000	9 Sept., 2010
<u>Denominated in US\$</u> Series B Notes	95,012	9 Sept., 2013
Series C Notes	156,642	9 Sept., 2015
Series D Notes	80,888	9 Sept., 2018
	434,542	
Net payable on currency swaps entered into, to hedge the borrowings	61,494	
	496,036	

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Notes to the Financial Statements For the Half Year Ended 31 December 2004

6. Details Relating to Distributions

	2004		2003	
	Cents per Unit	Total \$'000	Cents per Unit	Total \$'000
Recognised amounts:				
Final distribution in respect of financial year ended 30 June 2004 paid on 27 September 2004				
(2003: 25 September 2003)				
Profit distribution - 40% franked (2003: unfranked)	6.5	17,864	6.5	15,860
Capital distribution	-	-	-	-
First interim distribution in respect of financial year ending 30 June 2005 paid on 30 December 2004				
(2004: 29 Dec 2003)				
Profit distribution - 40% franked (2004: unfranked)	5.5	15,243	5.0	12,286
Capital distribution	-	-	-	-
	12.0	33,107	11.5	28,146
Unrecognised amounts:				
Second interim distribution in respect of financial year ending 30 June 2005 payable on 30 March 2005				
(2004: 29 March 2004)				
Profit distribution - 40% franked (2004: unfranked)	5.5	15,339	3.6	8,902
Capital distribution	-	-	1.4	3,462
	5.5	15,339	5.0	12,364

The second interim distribution in respect of the financial year ending 30 June 2005 has not been recognised in this half-year report because the distribution was declared, determined or publicly recommended subsequent to 31 December 2004.

	2004 \$'000	2003 \$'000
Franking account balance (tax paid basis)	14,373	3,706

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Notes to the Financial Statements For the Half Year Ended 31 December 2004

6. Details Relating to Distributions (continued)

The dividend or distribution plans shown below are in operation.

The distribution reinvestment plan is not in operation for this distribution.

The last date(s) for receipt of election notices for the dividend or distribution plans

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7. Earnings Per Unit

	2004 ¢ per unit	2003 ¢ per unit
Basic EPU	9.48	9.04

Basic Earnings per Unit

The earnings and weighted average number of ordinary units used in the calculation of basic earnings per unit are as follows:

	2004 \$'000	2003 \$'000
Earnings (a)	25,718	22,148
	2004 No. '000	2003 No. '000
Weighted average number of ordinary units	271,268	244,943

(a) Earnings used in the calculation of basic earnings per unit reconciles to net profit in the statement of financial performance as follows:

	2004 \$'000	2003 \$'000
Net profit from ordinary activities after tax attributable to unitholders	25,718	21,148
Restatement of net profit used in the calculation of basic EPU for the effects of:		
Changes in accounting policy adjusted directly against opening retained earnings in accordance with the transitional provisions of Accounting Standards and UIG Consensus Views	-	-
Earnings used in the calculation of basic EPU	25,718	21,148

Diluted Earnings per Unit

Diluted earnings per unit is exactly the same as basic earnings per unit.

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Notes to the Financial Statements For the Half Year Ended 31 December 2004

8. Net Tangible Assets Per Security

	2004 \$	2003 \$
Net tangible assets per security	2.20	1.77

9. Details of Entity Over Which Control Has Been Gained

Control gained over entities

Name of Entity	Date of Acquisition	Cost of Acquisition (\$'000)
West Australian Gas Transmission Company 1	17/8/04	209,067

West Australian Gas Transmission Company 1 has a 45% ownership interest in SCP Investment (No. 1) Pty Limited and 100% interest in the Parmelia gas business.

10. Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	2004 %	2003 %	2004 \$'000	2003 \$000
Equity accounted associates and joint venture entities				
SCP Investments (No.1) Pty Limited ^a ("SCP")	-	55	2,148	7,831
Other material interests	-	-	-	-
	-	-	-	-
Aggregate Share of Profits	-	-	2,148	7,831

^a On 17 August 2004, APA acquired remaining 45% interest in SCP. Accordingly, the results of SCP have been equity accounted until that date and consolidated into APA's result thereafter.

Even though APA had a 55% ownership interest until 17 August 2004, the investment in SCP was equity accounted as APA, pursuant to the Shareholders Agreement, did not control nor have the capacity to carry any resolution at the meeting of the directors, which required a higher majority of the total number of votes which may be cast in relation to the resolution than that controlled by APA.

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Notes to the Financial Statements For the Half Year Ended 31 December 2004

11. Contingent Liabilities and Contingent Assets

	2004 \$'000	2003 \$'000
Contingent liabilities		
Bank guarantees	113	78
Contingent assets	-	-

12. Segment Information

APA operates predominantly in one business segment, being gas transmission infrastructure, and one geographical segment, being Australia. APA earns revenue by selling transportation and related services to the producers, consumers and aggregators of gas.

13. Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of APA in future financial periods.

Australian Pipeline Trust

Notes to the Financial Statements For the Half Year Ended 31 December 2004

14. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

APA will be required to prepare financial statements using the Australian equivalents to International Financial Reporting Standards (“AIFRS”) for the financial years beginning 1 July 2005. APA’s first financial report using AIFRS will be for the half year ending 31 December 2005. APA’s comparatives will also be restated to comply with all AIFRS except AASB 132 “Financial Instruments: Disclosure and Presentation” and AASB 139: “Financial Instruments: Recognition and Measurement” and most adjustments required on the restatement to AIFRS will be made against opening retained profits on 1 July 2004.

APA is closely monitoring the pronouncements in relation to implementation of AIFRS and relevant personnel are being trained in the new standards. Systems and processes are also being upgraded so that the transition to AIFRS will occur smoothly. Adoption of AIFRS will result in changes to accounting policies.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of APA. At this stage, the Trust has not been able to reliably quantify the impacts on the financial report.

AASB 3 - Business Combinations	<p>APA’s acquisitions since the AIFRS transition date (1 July 2004) will need to be restated in accordance with the new Standards. This includes SCP Gas Business acquisition in Western Australia.</p> <p>Accounting under AIFRS will, among other issues, result in recognition of various items such as restoration obligations on the statement of financial position.</p>
AASB 112 - Taxation	<p>A “statement of financial position” approach to accounting for taxation will be adopted replacing the current “statement of financial performance” approach used by APA. This method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base.</p> <p>Following the implementation of the tax consolidation process by APA, the tax base of the pipeline assets has been reset, bringing it closer to the carrying value. In accordance with UIG52, the impact of AIFRS has effectively been accounted for as a reversal of deferred income tax liability that would have otherwise occurred. This will substantially reduce the impact of this standard on APA when it becomes effective.</p>
AASB 116 - Property, Plant and Equipment	<p>The standard requires that the cost of an item of property, plant and equipment include the cost of dismantling the asset and restoring the site on which it is located.</p> <p>The pipeline licences under which APA operates, require that the land on which the pipeline runs be rehabilitated. Accordingly, the value of property, plant and equipment will be increased and an amount provided for restoration work on sites. This will have the impact of increasing depreciation expense in future periods.</p>
AASB 139 - Financial Instruments: Recognition and Measurement	<p>This standard will result in new assets and liabilities being recognised as all derivative contracts will be measured at fair value. Hedge accounting can only be applied where effectiveness tests are met.</p> <p>APA uses derivatives to manage exposures to interest rate and foreign exchange movements. The fair values of these derivatives have previously been disclosed in the notes to the financial statements. These will now be accounted for in the statement of financial position.</p>

Australian Pipeline Trust

Notes to the Financial Statements For the Half Year Ended 31 December 2004

15. Other Significant Information

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian tax resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

APA and its wholly-owned Australian tax resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The implementation of the tax-consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is Australian Pipeline Trust.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Australian Pipeline Trust and each of the entities in the tax-consolidated group has agreed to pay a tax-equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

Income Tax Expense

The income tax expense shown in the Statement of Financial Performance varies from the prima facie tax payable on Profit from Ordinary Activities before Income Tax for the period, primarily due to non-deductibility of interest expense on infrastructure bonds of \$3.604 million and non-deductible depreciation and amortisation charges totalling \$1.771 million arising mainly from the fair valuing of assets on acquisitions.

Seasonal Factors

Gas transmission is a seasonal industry with the transportation in winter months (first half of the financial year) being higher than the summer months. However, the firm long-term contracts that have been entered into by APA, limit the level of variability in relation to revenues and operating profits.

Australian Pipeline Trust

Statement by the Directors of the Responsible Entity

In the opinion of the directors of Australian Pipeline Limited (“the Responsible Entity”), the Responsible Entity of the Trust, the financial statements for Australian Pipeline Trust (“APA”):

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the APA’s financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the directors’ opinion:

- (a) the financial statements and the notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that APA will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



G H Bennett
Chairman



J K McDonald
Managing Director

Sydney
Date: 28 February, 2005

**INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS
OF AUSTRALIAN PIPELINE TRUST**

Scope

We have reviewed the financial report of Australian Pipeline Trust for the half-year ended 31 December 2004 as set out on pages 8 to 22. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Pipeline Trust is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

DELOITTE TOUCHE TOHMATSU

J H W Riddell
Partner
Chartered Accountants

Sydney, 28 February 2005